

HB 11 SPONSORED BY Rep. Kasten

EXHIBIT 1
DATE 1/30/07
HB 11

TSEP presentation to the House Appropriations Committee
January 30, 2007

Mr. Chairman and members of the committee, for the record my name is Jim Edgcomb, Manager of the Treasure State Endowment Program. Speaking on behalf of the Department of Commerce, we are asking that you support House Bill 11 as proposed which recommends the funding of \$17,333,653. The Department of Commerce does not support funding in HB11 beyond the estimated amount of interest available for appropriation from the Treasure State Endowment for the current biennium.

TSEP was created in 1992 to help local governments solve serious public health and safety threats and make local public infrastructure improvements financially feasible and reasonably affordable.

The program has been a remarkable success. During the 1993 Legislature, \$4 million dollars in TSEP grants were awarded for infrastructure projects. It was a welcome new source of funding for communities. This year, as the result of the Endowment's growth, the Legislature will have over \$17 million to assist these projects.

For all but the largest cities in Montana, TSEP is a major engine that is driving local infrastructure investment across Montana. For smaller towns, as well as rural water and sewer districts, it is critical to making infrastructure investments affordable. The cost of the water and wastewater infrastructure projects are typically at least two million dollars each, and some are in the neighborhood of five and six million dollars, which makes TSEP grants crucial to making these public facility projects financially feasible.

One of the purposes of the program was to encourage communities to invest in their infrastructure by helping to make projects affordable for local residents. Since 1993 when the first grants were awarded, the \$74 million of TSEP grants awarded have leveraged over \$260 million of investment in other federal, state, and local funds. On average, TSEP dollars leverage at least \$3 to every \$1 of TSEP funds.

We are recommending that 31 projects be funded based on the interest earnings projected for the coming biennium. You have before you the Governor's budget book volume 4, which explains our recommendations in detail.

We are hopeful that federal funds such as State and Tribal Assistance Grants, Water Resource Development Act Grants, and Community Development Block Grants will be available to complete these projects. If federal funds continue to be reduced, it will seriously and adversely affect the timely start of most projects. As an example, federal funds for wastewater projects in the federal fiscal year 2007 through the State Revolving Fund have been reduced by 50%.

I'm giving you a handout that shows some of the more problematic funding packages for many of the projects recommended for funding. In particular, the State and Tribal Assistance Grants (STAG) and Water Resource Development Act Grants (WRDA) are appropriated by Congress and earmarks such as these are potentially in jeopardy.

In conclusion, Director Preite and I would like to thank the members of the Long-Range Planning Subcommittee for the time they spent conducting hearings on each application. We will be available to answer any questions.